Agriculture Policy Briefing

Our agricultural trade policy in a changing world

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Canadian agriculture has long operated as an integral part of the global agricultural economy. A major exporter (and importer), more than a third of this country's agri-food production is exported, mainly to the US, but increasingly to a large number of other markets.

The up-shot is that roughly 80 per cent of Canada's agricultural economy is directly tied to the global economy, with all the opportunities and challenges this involves. The only sectors which are largely insulated from the global marketplace are the supply-managed dairy, egg and poultry sectors, which have been heavily protected, first by import quotas and, more recently, by very high tariffs.

As a major agricultural net exporter, Canada has a vested interest in reducing barriers to trade. But for much of the post-Second World War period, this was largely a dream.

Although industrial tariffs were reduced sharply by successive negotiations under the General Agreement on Tariffs and Trade (GATT), agriculture was for many decades treated as a "special" sector—too politically sensitive to be exposed to the winds of trade liberalization.

In fact, agricultural trade distortions increased rather than decreased and did not start to decline until the implementation of the Uruguay Round Agreement on Agriculture in 1995.

Many of the factors shaping the world agricultural economy have, however, changed dramatically since the conclusion of the Uruguay Round. Opportunities have increased—but so have the challenges.

Food demand in developed countries is now largely stagnant and the growth markets are in developing countries where rising incomes have boosted demand for a more diversified diet.

Global food supply/demand fundamentals have also been affected by the increased links between agricultural and energy markets. Government stimulation of ethanol and diesel oil production has tightened world grain and oilseed markets, making them more vulnerable to weather-induced production shortfalls.

Tighter international markets have in turn encouraged the increased use of export restrictions, which have further accentuated upward price pressures on the residual world market.

However, some government policy changes have also contributed to a less distorted trading environment. Unilateral reforms in domestic agricultural policies, particularly in Europe, have made them better able to co-exist with a more open international trade regime.

There is little doubt that the increased investment in agrifood production necessary to meet the projected growth in global population and incomes will depend heavily on the right mix of domestic agricultural policies and how they relate to world markets.


Canada's supply management practices will have to be examined, says Michael Gifford.

What are the prospects for further trade reform? Unfortunately, the politics of agriculture suggest that progress will continue to be difficult and protracted.

For example, the WTO Doha Round of negotiations has staggered from impasse to impasse and, notwithstanding a decade of effort, is unlikely to conclude as originally envisaged. Efforts are now focussed on identifying a stripped-down package, but even this is meeting heavy weather.

In contrast, there has been a proliferation of bilateral and regional trade agreements which have intensified as the Doha Round has struggled, first over agriculture and more recently over industrial tariffs.

While prospects for multilateral negotiations are uncertain, it would be a major error to give up on the WTO. The existing disciplines have placed agriculture under the rule of law and they are backed up by an effective dispute settlement mechanism.

The challenge over the next few years will be to try to solidify support for an agricultural package that is attractive to both exporters and importers. The prospect of finally eliminating export subsidies, further disciplining export restrictions, significantly reducing trade distorting domestic support of the US, EU and others, and further reducing tariffs on a multilateral basis are not things to be discarded lightly.

In the meantime, Canada has no choice but to continue to aggressively pursue bilateral or regional trade agreements or risk being locked out of these preferential arrangements. The risks are particularly acute in the large emerging markets, such as India, China and Indonesia, where our export competitors are focussing their efforts.

Managing our trade relationship with the US will remain a priority challenge for Canada. For example, eliminating the export monopoly of the Canadian Wheat Board (a long-standing goal of the US) will likely encourage increased exports of wheat and barley to the US, which could well re-ignite political pressures in the Northern Plain States to limit imports.

Canada will also continue to struggle to "balance" the interests of the export-oriented and import-sensitive sectors in any future trade negotiations.

The political equation is simple. Sectors open to world markets represent 80 per cent of farm cash receipts, but the supply-managed sectors, concentrated in vote rich Ontario and Quebec, have managed to gain 80 per cent of the influence with all political parties.

Nevertheless, if Canada is to take full advantage of a strong international market, it will have to learn to persuade primary producers (and some provincial governments) that while there are no free rides in trade negotiations, increased market access and supply management are not incompatible—as witnessed by the sectors' ability to adapt to the Uruguay Round results.

In the Canada-US free trade negotiations, the US made it clear from the outset that it wanted to retain its import quotas on sugar and dairy, and Canada was relieved to escape having to make politically-difficult decisions on the supply-managed products. It may well be that Canada can largely avoid hard decisions in the current Canada-EU trade agreement negotiations, given the sensitivity of many agricultural products in Europe.

However, at some point, Canada will have to squarely face the challenge of increasing the exposure of supply management to increased import competition. If this does not occur in a re-energized Doha Round, Canada will undoubtedly face it if it wants to participate in the Trans-Pacific free trade agreement currently under negotiation.

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Inter-acting for food security in the Americas

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Agriculture is the most important economic activity in the rural areas of most of the countries in the hemisphere. In Canada, for example, the sector contributes about 8.5 per cent to the Gross Domestic Product, with one in eight Canadians working in the agriculture or agri-food industry. This underscores the importance of agriculture to the Canadian economy.

Countries in Latin America and the Caribbean also are known to have a rich history and culture embedded in agriculture. But despite the important role the sector plays, problems of food insecurity continue to plague the region.

Why? Several prevailing conditions contribute to this worrying trend.

First, there are extreme pressures on food supplies in the world. This has resulted in a dramatic increase in food prices over the past year, which has not only affected the less developed countries, but also countries with stable, robust agricultural systems such as Canada.

For example, agricultural exports to Latin America (excluding Mexico) at $7.5 billion in 2010 represented a mere two per cent of total Canadian exports, whereas imports from the region increased by 16 per cent to $15.9 billion.

The Food and Agriculture Organization has predicted that Brazil, with less than three per cent global population, will become the world's largest producer of food within the next decade, with a projected 40 per cent increase in food produced by 2019. This has offered a ray of hope as it has been estimated that by 2050, the world will need to produce twice as much food as is produced today to feed the expected 9 billion inhabitants.

Apart from Brazil, other countries in the region such as Peru, Honduras and Ecuador have demonstrated remarkable progress in tackling food insecurity. The resilience and strengths of member states in the Americas clearly enjoy synergies which can be harnessed.

However, even though the region is a net exporter of food, strategies for modernizing production systems to enable feeding the world need to be prioritized and managed.

Another factor adversely affecting food security is deficiency in the development and implementation of supportive policies to manage food production, distribution and access. This is clearly reflected in Latin America and the Caribbean, where the level of undernourishment is one of the highest in the world, even though the region produces some 30 per cent more food than it needs to feed its population.

This paradox signals the urgency of addressing issues related to access and distribution, which involve the transportation, land-use and education sectors, amongst others. Significant policy interventions are needed to address the issues. The region could gain much from Canada's exemplary efforts in these areas.

In addition to policies and production, there is the stark evidence of the impacts of climate change on food security in the hemisphere. The region has witnessed an increasing frequency of storms, tornadoes, floods and droughts that have reduced levels of production, halted food distribution and challenged agricultural stability in the small island states, South and Central America, and also in North America—including Canada.

Admittedly, agriculture contributes to the negative effects of climate change, but it can also mitigate some effects of climate change.

In an era when information and communication technologies are the order of the day, sharing vital information to effect change in practices, risk management and adaptation mechanisms between countries in the region should be a given.

This requires a respected, trusted and reliable partner to share vital technological information, and also to inform policy regimes in areas ranging from land use and early warning systems to risk assessment and management.

The Inter-American Institute for Co-operation on Agriculture was established almost 70 years ago under a charter of the Organization of American States. Its mandate is "to encourage and promote and support the efforts of member states to achieve their agricultural development and rural welfare." IICA's work over the years has addressed the total food system, with productivity, rural development, food safety, natural resource management, innovation and agribusiness being some areas of focus.

Canada's membership in the IICA positions it ideally to leverage maximum impact on the hemispheric food agenda. Enabling and managing technology, implementing key policy shifts and acquiring and utilizing information are three important factors that can aid the transformation of agriculture in the hemisphere to being sustainable and competitive.

Canada undoubtedly has much to offer the rest of the Americas by way of policy development strategies, modern technologies and best practices in agriculture and agri-food systems. The region, on the other hand, presents lucrative markets for trade and investment as well as international research and development opportunities.

Much is expected of the Americas in assuring world food security in the coming years. Member states would do well to collaborate in strategizing to meet this expectation. IICA provides an excellent channel for knowledge management, supporting and promoting relevant research and development activities towards increased productivity, sustainability and competitiveness. Its office in Canada has been working for close to 30 years in strengthening technical co-operation links between Canada and the hemisphere

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